ANNUAL REPORT 2006

TRAF

TEACHERS' RETIREMENT ALLOWANCES FUND

Commitment.
Confidence.
Security.

Mission

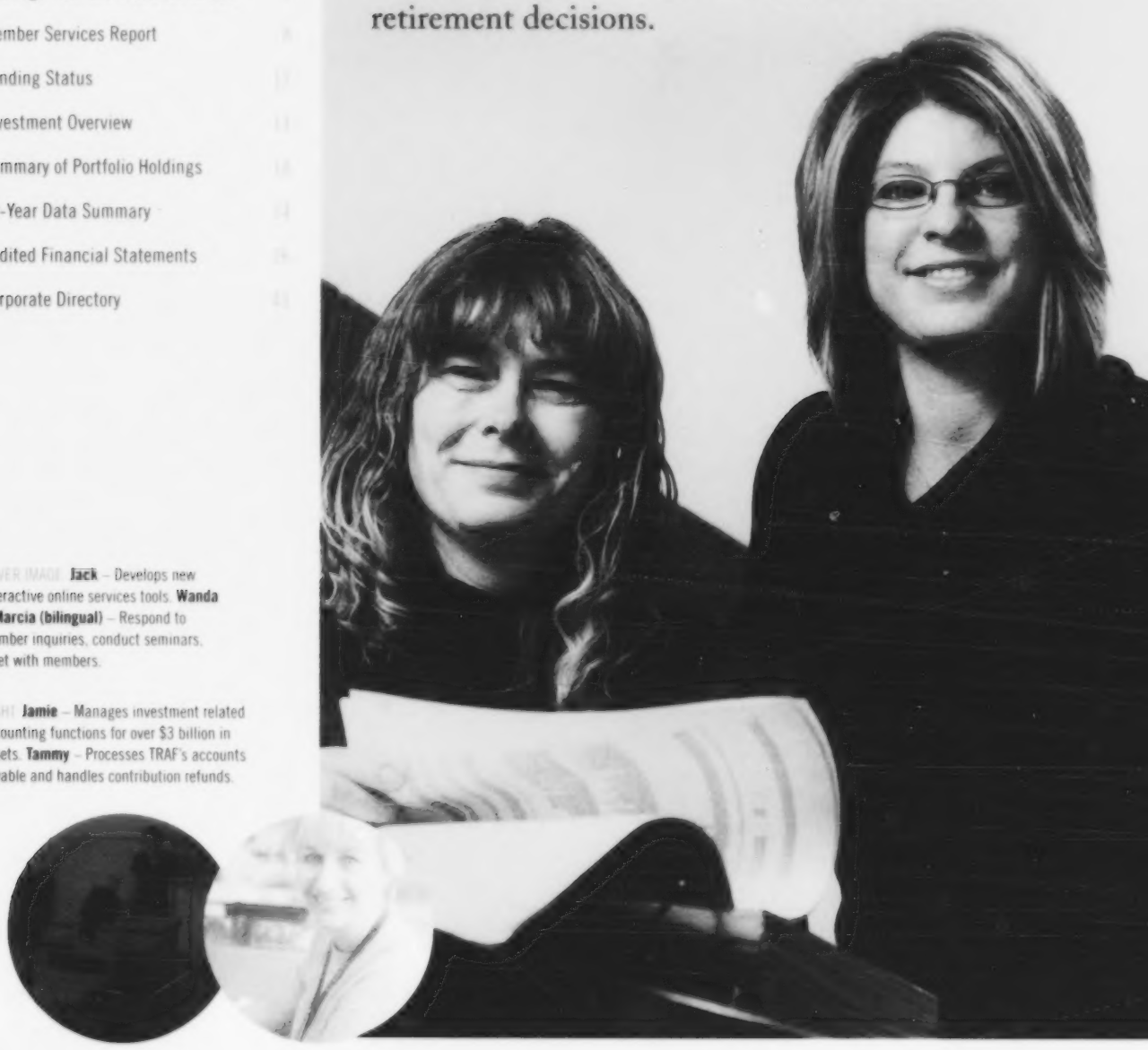
We commit ourselves to administer the teachers' pension plan in a responsible and caring manner to ensure a secure pension fund that will provide our members the benefits they have been promised and the information needed to make educated retirement decisions.

TABLE OF CONTENTS

Profile & Overview
Message from the Chair
Message from the President & CEO
Member Services Report
Funding Status
Investment Overview
Summary of Portfolio Holdings
10-Year Data Summary
Audited Financial Statements
Corporate Directory

COVER IMAGE: **Jack** – Develops new interactive online services tools. **Wanda & Marcia (bilingual)** – Respond to member inquiries, conduct seminars, meet with members.

RIGHT: **Jamie** – Manages investment related accounting functions for over $3 billion in assets. **Tammy** – Processes TRAF's accounts payable and handles contribution refunds.



We start small and we're proud of it. We look at the little things, the details, and focus on what's best for our members with each one.

We spend enough time in appointments to ensure we answer all the questions. We carefully construct our communications to include the important details. We pore over programming code to ensure accuracy. We process information efficiently to deliver benefit entitlements on time. We evaluate hundreds of variables when assessing our investment strategy. We always start with the details. That, we believe, is commitment.

Commitment is what we offer you. This is our report for 2006.

Profile & OVERVIEW

The Teachers' Retirement Allowances Fund (TRAF) employs a staff of 31 who administer the defined benefit pension plan for Manitoba's public school teachers. TRAF also manages the funds that support the plan, which totalled over $2.7 billion as of December 31, 2006.

THE BOARD

TRAF is governed by a Board of Directors which oversees its operations. The Board acts as trustee of the Fund and is ultimately responsible for the proper administration of The Teachers' Pensions Act.

The Board is comprised of seven members – three nominated by The Manitoba Teachers' Society (MTS) and four from the general public. These representatives are appointed by the Lieutenant Governor in Council.

INVESTMENT COMMITTEE

TRAF's Investment Committee oversees and directs TRAF's investment activities. The Chair of the Board and a teacher representative from the Board sit on this committee with the Deputy Minister of Finance for the Province of Manitoba. A second teacher representative from the Board acts as an observer on this committee.

All recommendations of the Investment Committee must be approved by the Board prior to implementation.

AUDIT COMMITTEE

The Audit Committee ensures that TRAF is fulfilling its responsibilities with respect to the financial reporting process. Two of TRAF's Board members and an external accounting professional sit on this committee.

Amélie – First point of contact for members both on the phone and in person.

CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS
$ MILLIONS

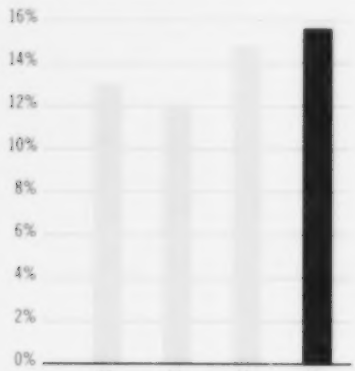
		2006	2005
Net assets available for benefits, start of year*		$ 2,449	$ 2,189
Add:	Member contributions	65	58
	Province's share of pensions	124	113
	Investment return	360	318
Deduct:	Pension payments	(227)	(212)
	Net other payments (reciprocal transfers, refunds, etc.)	(21)	(13)
	General expenses	(4)	(4)
Net assets available for benefits, end of year*		$ 2,746	$ 2,449

*Includes the Pension Adjustment Account

INVESTMENT PERFORMANCE

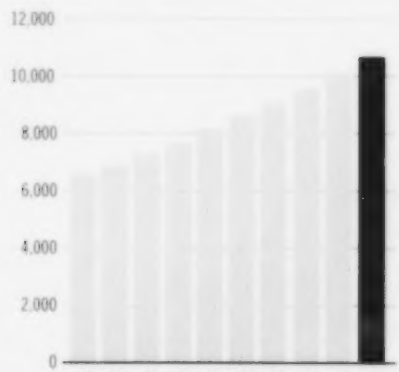
	2006	2005
Annual investment return	15.6	14.8
Composite benchmark	13.7	13.2
Four-year average investment return	13.8	9.2
Four-year benchmark	12.9	8.0

INVESTMENT RETURN
AS OF DECEMBER 31

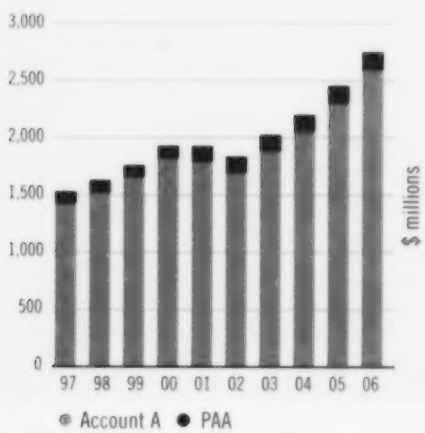


The four-year average is 13.8%

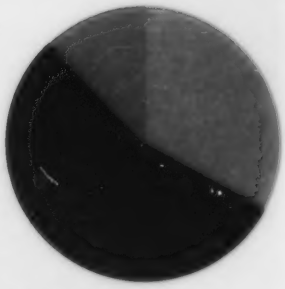
NUMBER OF PENSIONS IN PAY
AS OF DECEMBER 31



NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31



MEMBERSHIP PROFILE
AS OF DECEMBER 31



Deferred Members	6,259
Retired Members	10,663
Active Members	15,063

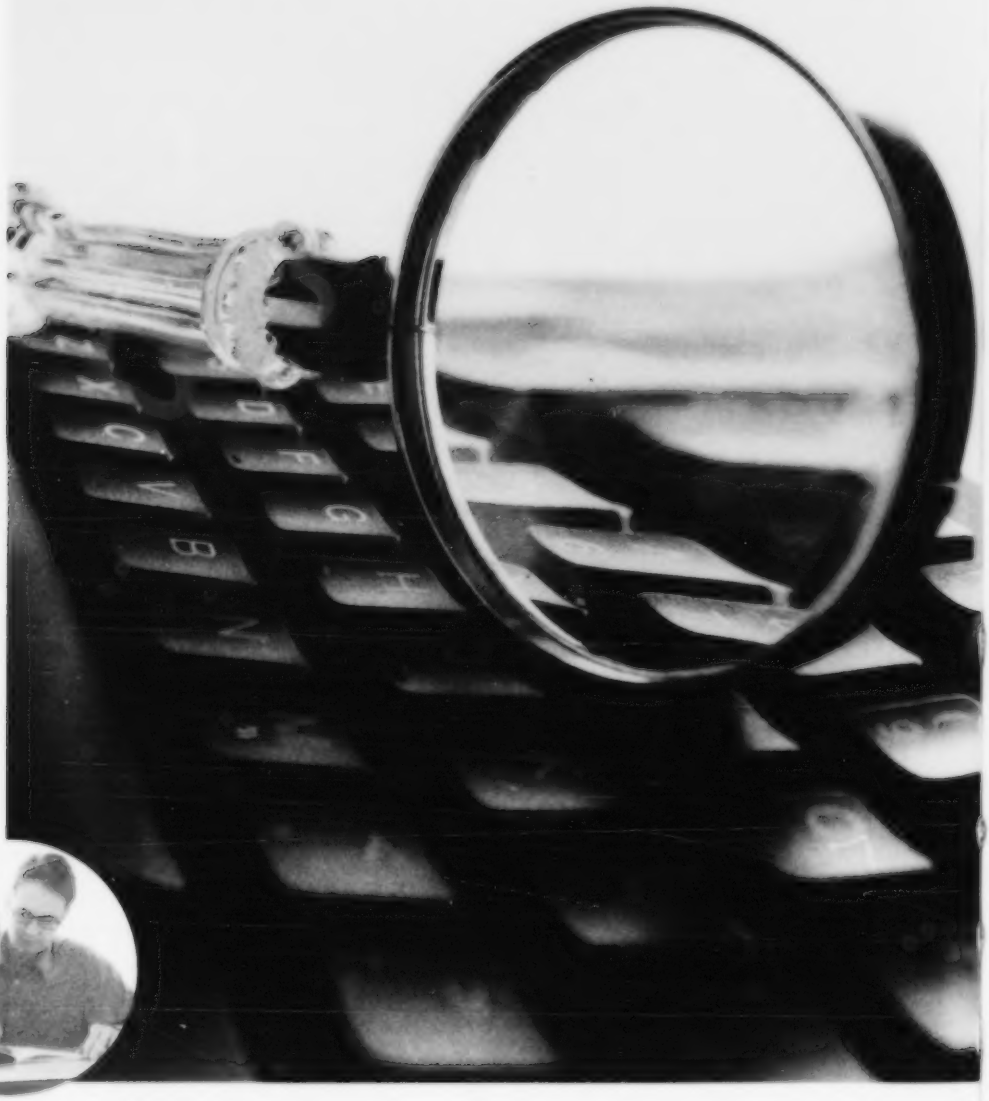
ASSET MIX
AS OF DECEMBER 31

Fixed Income	33.0%
Equity	54.9%
Real Estate	12.1%

• • • BOARD OF DIRECTORS (L – R)
Mal Anderson (Chair), Ray Desrochers, Glen Anderson, Lucy Vogrig, Terry Clifford, Pat Isaak (Vice Chair), Henry Shyka

MESSAGE FROM THE Chair

I was appointed chair in January of 2007, and accepted the appointment with enthusiasm and humility. I was enthusiastic because my research demonstrated that the Board and management of TRAF had been doing a tremendous job of governing and managing the organization.



Pat Isaak had been tasked with acting as Chair of the Board, which was short by two members who were only recently appointed. She filled the role with skill and diplomatic aplomb. My appreciation and thanks to her on behalf of the TRAF Board, staff and management. I was humbled because I realize the importance of this organization to the members of TRAF specifically, and to society in general.

The Board of TRAF accepts its responsibilities very seriously. My initial meetings with the Board demonstrated their strong knowledge of the constituency they serve and the importance of protecting members' assets. They are cognizant of the elements required to fulfil TRAF's mandate, which is to ensure a secure pension fund providing the members with benefits that they have been promised. The Board also works with management to ensure that the appropriate counsel is provided to members who are considering pension-related decisions. Without the quality management and staff working at TRAF, these substantial roles could not be fulfilled as competently as they are.

THE YEAR AHEAD

As I look ahead to the next year, I see several areas that we need to concentrate on to continue the efforts made by the Board in the past. Corporate governance is a significant issue for us. Well-run organizations work hard to ensure that the roles of Board and management are well-defined. This is the first step in corporate governance. The next step is to ensure that those roles are properly executed. This requires seeking input from each of our stakeholders. Last year, survey work was conducted to determine how our major stakeholders perceived TRAF. The results were impressive, with a strong vote of confidence shown to our CEO Jeff Norton.

We also intend to spend time as a Board over the next year to look at how well we are fulfilling our mandate, and to examine our strengths and weaknesses, with the goal of becoming even stronger. For this, we will continue to seek input from our various stakeholders, and will make adjustments to our governance as necessary. We will consult with members of TRAF, both active and retired; related parties such as The Manitoba Teachers' Society and the Retired Teachers' Association of Manitoba; and of course, the Province of Manitoba, which provides the legislative framework that we operate under, and appoints the Board members.

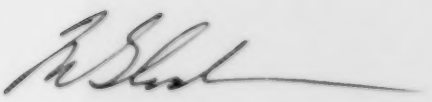
We will also continue to look at our investment policies and procedures. In this fast-changing financial environment with a global economy, we need to ensure we are constantly reviewing our policies, and that we continue to administer them with due diligence. Proper asset allocation and quality due diligence are our first-line tools to ensure appropriate investment decisions are made. We need to continually monitor our portfolio to ensure protection of the TRAF Fund. We must show effective due diligence, not just in making the investments, but also by ensuring that they perform as expected.

ACKNOWLEDGEMENTS

Both the issue of corporate governance and investment policy are supported with Board committees. The Audit Committee has a role in reviewing our governance, which combined with the Board's overall commitment to further strategic review should provide necessary reassurance. We will continue to communicate the findings with our members. The Investment Committee takes very seriously its role in placing and monitoring investments. The addition of an Investment Analyst position within TRAF has added in-house strength to this role. I thank the Investment Committee and the Audit Committee for their commitment and look forward to working with both committees over the next year.

I would like to thank the staff and management for the fine support they have provided to the members of the Board and our various committees. I would be remiss if I did not thank them also for the excellent job that they do serving the retired, active, and deferred members of the TRAF plan. Without their dedication and support, things would not happen as effortlessly as they do. I can tell you from the short time I have been with the Board, that while all the activities appear to occur in an almost effortless and flawless manner, there is a lot of hard work and dedication of the staff and management to make this happen.

Finally, a big thank you to my colleagues on the Board for their support and direction, without which the job would have been more difficult. Thanks again to Pat Isaak in particular, for keeping the organization in such fine shape. I know that the Board will continue to work hard to ensure that each member is well served throughout 2007 and beyond.



MAL ANDERSON
CHAIR OF THE BOARD

MESSAGE FROM THE President & CEO

I am pleased to provide you with this report on our activities in 2006. While significant progress was made on various planning and operational initiatives, the highlight of the year was the continued strong performance of the capital markets, so let's begin there.

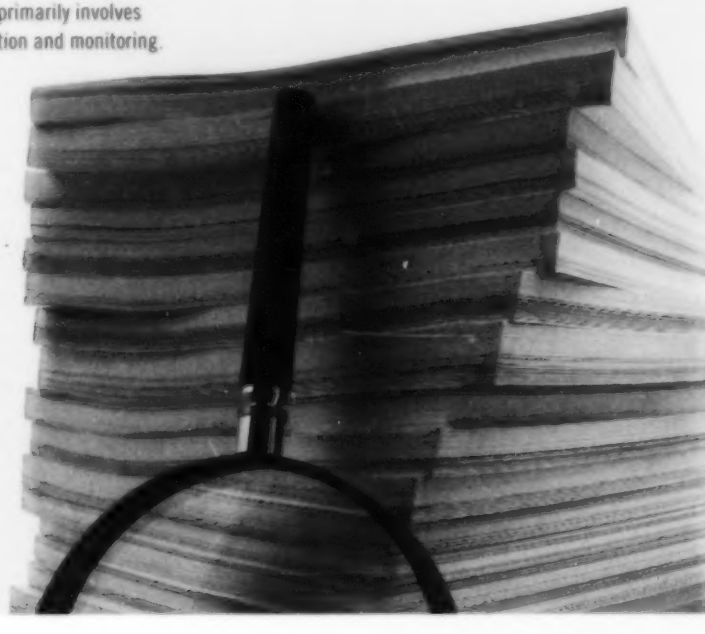
INVESTMENT PERFORMANCE

For the fourth consecutive year, the Fund posted double-digit returns. Performance for 2006 was 15.6%, which exceeded our benchmark return of 13.7% and placed us in the top quartile when measured against comparable plans. While we are obviously very pleased with these results, we continue to fine-tune our asset allocation and investment structure in an effort to properly position the Fund for continued future success. This primarily involves increased diversification and monitoring.

Please refer to the Investment Overview section of this report for additional details.

FUNDING STATUS

Strong investment returns over the past few years have materially improved the plan's financial status. Specifically, an actuarial valuation conducted as of January 1, 2006 confirmed that the fund had reduced its deficit to approximately $12.9 million from $126.5 million two years earlier. As TRAF



currently assumes a future annual rate of return equal to 6.25%, the impact of achieving 15.6% in 2006 has moved the plan's funded status at the end of 2006 into positive territory based on the assumptions used in the most recent actuarial valuation.

Despite the current situation, a surplus position is likely not sustainable going forward given such realities as the changing demographics of our membership and increased lifespans. The Board continues to monitor this issue closely and has brought certain facts and projections forward to the Province of Manitoba and The Manitoba Teachers' Society. TRAF will continue to participate in and support the ongoing discussions regarding the long-term sustainability of your pension plan.

COST OF LIVING ADJUSTMENT (COLA)

TRAF pensions were increased by 0.64% in July 2006. As the Consumer Price Index (CPI) in 2005 increased by 2.20%, this COLA represented 29% of CPI. This loss of purchasing power of TRAF pensions has been an issue for many years. In fact, 2006 was the fourth consecutive year that the COLA granted was less than 50% of CPI. TRAF continues to assist the province and membership as they search for acceptable solutions.

In 2006, TRAF commissioned a "projection valuation" of the account that funds the annual COLAs. Given various assumptions regarding teacher population, salaries, mortality, and similar items, the projection valuation concluded that under the current plan structure, future COLAs would average approximately 0.8%, with each annual amount varying above or below this long-term average. This information has been provided to the plan sponsors to assist in their deliberations.

OPERATIONAL INITIATIVES

Last year, I noted some specific operational initiatives being undertaken at TRAF. Here is an update.

Web Services. In 2006, we added some exciting new features to our website. In particular, we produced and posted two videos. One contains substantively the same content as the presentation made at The Manitoba Teachers' Society and the Retired Teachers' Association of Manitoba annual general meetings. The second video is a reproduction of TRAF's Pre-Retirement Seminar. Now members can obtain much of the information required to make informed retirement-related decisions about their TRAF pensions through this service. We have also enhanced the website and added additional online services. We encourage you to visit us at www.traf.mb.ca.

Policies & Procedures. In 2006, TRAF undertook a broad review of its human resource policies. This process resulted in the launch of a comprehensive set of updated policies and related procedures. Significant progress was also made on policies to govern our member service, finance and investment-related activities. Our work in this regard is ongoing.

Risk Management. As part of this initiative, TRAF substantially completed the development of an off-site "disaster recovery" station. Located outside of the city limits, TRAF will be able to re-establish operations within 48 hours should our current office at The Forks become inaccessible due to a natural or man-made disaster. For example, if The Forks area was to be closed due to flooding, TRAF would remain in a position to make monthly pension payments on a timely basis. Other risk management areas that we focussed on included internal controls and succession planning. Our efforts in risk management will continue in 2007 and beyond.

The significant progress that was made on these operational matters can be attributed to the extraordinary efforts put forward by our skilled and dedicated staff members. With the capable leadership of our management team, we have been able to properly identify and focus on those projects that add the maximum benefit to our membership.

I would also like to acknowledge the equally strong leadership and direction provided by our Board, the Investment Committee and the Audit Committee. The high level of thought and dedication that each member brings to the process results in decisions that continue to be well-reasoned and consistent.

In addition, I would like to expressly recognize the guidance and support that Pat Isaak provided me following my joining TRAF in early 2005. Pat is TRAF's longest serving current Board member and held the position of Acting Chair through most of 2005 and all of 2006. She is an extremely dedicated and capable member of the Board, and made a significant contribution to my successful integration. Thanks again for your support and assistance Pat.

In late 2006, Lucy Vogrig was appointed to fill a vacancy on the Board. While it has only been a few short months as I write this, Lucy has brought an admirable level of enthusiasm to this role. The combination of this enthusiasm and significant experience in the financial services industry makes Lucy a valuable addition.

We enter 2007 with the appointment of a new Chair, Mal Anderson. Mal is a well-known and highly respected member of our community, and brings a broad skill set to an already strong Board. I have had the pleasure of working with Mal in the past and very much look forward to continuing our association at TRAF.

Finally, I reported last year the retirement of Dewar McKinnon as Vice President, Finance & Operations. While Dewar's departure was a major loss for TRAF, I am pleased to announce that Ross Hadaller, who served as TRAF's Chief Accountant during Dewar's tenure, will assume the role of Vice President, Finance effective July 1, 2007. Ross has been with TRAF for almost 20 years and has been able to maintain the finance function on a seamless basis since Dewar's departure. Congratulations Ross.

Please read the balance of this report or access the video presentation at www.traf.mb.ca. If you have any questions or concerns, you can contact us by e-mail at info@traf.mb.ca or phone at 949-0048, or 1-800-782-0714 toll free.

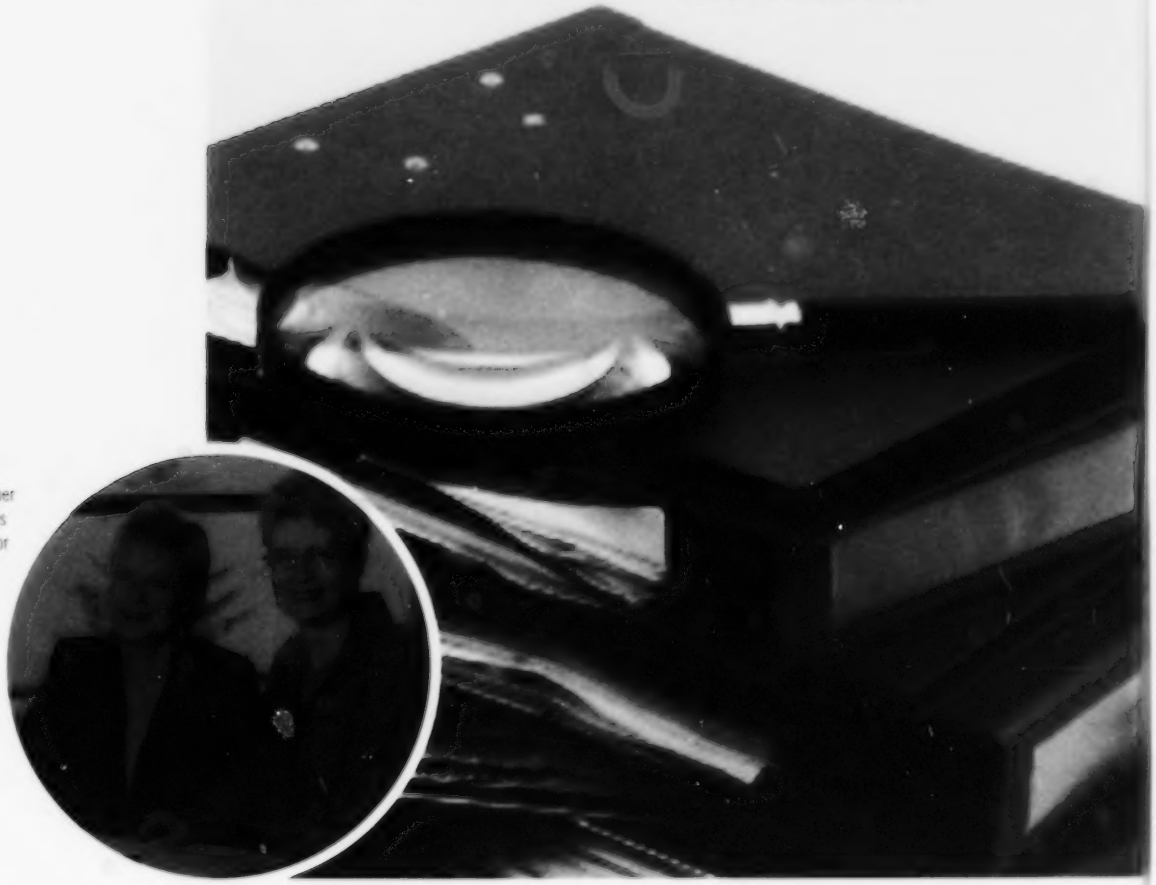
JEFF NORTON
PRESIDENT & CEO

MEMBER SERVICES Report

It might be a change in legislation, a retirement, or perhaps even a new investment, but where we start is the same – we start with the details. 2006 was all about the details. By getting the details right today, we ensure a stronger tomorrow.

At an organizational level, we focussed on developing better tools to assist our members when making retirement decisions; we utilized more services via the internet than ever before; we put processes in place to find former members who have lost contact with us, but are entitled to a benefit from the plan; we reviewed and updated internal policies; and we conducted our first projection valuation (see "Funding Status") to get a realistic sense of what members can expect regarding COLAs in the future.

Each detail helps us take the proper steps toward your security. We've dedicated this section of the Annual Report to share highlights of our year with you.



Arlene – Coordinates the work and trains Member Services. **Carol** – Develops policies and procedures for Member Services.

Both also handle member inquiries, conduct meetings and seminars.

TRAF closely tracks and manages its overall expenses to ensure that our costs are reasonable. Our total expenses for 2006 as reported in our Audited Financial Statements are allocated between those related to administrative functions and those related to investment functions. The following were our administrative expenses for 2005 and 2006.

ADMINISTRATIVE COSTS

CATEGORY	2006	
Salaries and benefits	$2,172	$2,430
Office and administration	494	462
Actuarial fees	225	164
Custody and banking	12	11
Communication and travel	79	87
Professional fees	63	71
Board expenses	54	64
Total	$3,099	$3,289

Total administrative expenses set out above exclude pension interest costs in respect of TRAF employee pensions, which were approximately $190,000 in 2006 (2005 - $175,000). This amount is offset by investment earnings on funds previously set aside by TRAF to support the liability of the future pensions to be received by its employees. Accordingly, while this is an annual administrative expense for financial statement purposes, there is generally no net cost to members.

The total administrative expenses are divided by the number of active and retired members to determine an "Administrative Cost per Member" amount. For 2006, TRAF's Administrative Cost per Member was $120, a reduction of $11 per member from 2005.

Based on our research, TRAF's administrative costs are in line with other plans of similar size, structure and complexity. In addition to providing the basic services necessary to administer the plan, these expenditures permitted the pursuit of various projects, which included the following.

Providing our members with further opportunities to access information was one of our key objectives in 2006. TRAF launched additional online services which now include: the ability to view a detailed history of a member's personal account; an enhanced version of our pension estimator; a tax calculator, which allows members to determine the withholding tax on any amount; and the ability to update addresses online.

In addition to these services, we also launched our first video presentations on our website. Members can view both our Pre-Retirement Seminar presentation, and our Annual Report presentation at www.traf.mb.ca.

Throughout 2006, TRAF made significant efforts to contact former teachers who have contributions remaining in the plan and are entitled to benefits. Currently, there are 6,259 members in deferred status.

We used various sources to locate and obtain current addresses for members with whom we had lost contact. TRAF then established a database for the over 1,000 members located.

We also developed and implemented a process to establish ongoing communications with this group so that members stay informed. This will help to ensure they receive benefits at the time they are entitled. Commencing in 2007, TRAF will provide annual communications to these members, including Benefits Statements and newsletters. Further efforts will also be made to continue locating members without current addresses.

Audra - Works with School Division personnel and validates members' service, salary and contribution data.

TRAF launched its first online survey for newly retired members to evaluate the retirement process and overall services we provide. Just over 36% of the members surveyed responded. Feedback was very positive in all service areas, from personal and written communication, to assistance provided throughout the retirement process.

We also invited members who met with a Member Service Specialist to provide feedback via an online survey conducted at the conclusion of the meeting. Ninety-eight percent felt that the appointment was valuable time spent. The Specialists were rated very highly for thoroughly answering questions and also for their level of knowledge and explanations provided.

We appreciate the comments and suggestions received so far and will continue to review the feedback and evaluate where improvements can be made.

EXTENDED OFFICE HOURS

To help accommodate members' schedules, we extended our office hours to 8:00 – 5:00 Monday to Friday, which added an extra 45 minutes to each day. We are also now officially open one Saturday per month during the school year to meet with members and to accept phone inquiries. In addition to these changes, TRAF continued to accommodate special meeting requests as necessary.

GENERAL INFORMATION REQUESTS

		2006	2005
Pension Estimates		6,135	6,457
Appointments		1,298	1,524
Seminars – Winnipeg		20	17
– Rural		12	16

TOTAL NEW RETIREMENTS

	2006		2005	
	Female	Male	Female	Male
Active	331	212	311	218
Deferred	87	43	96	54

RETIREE PROFILE

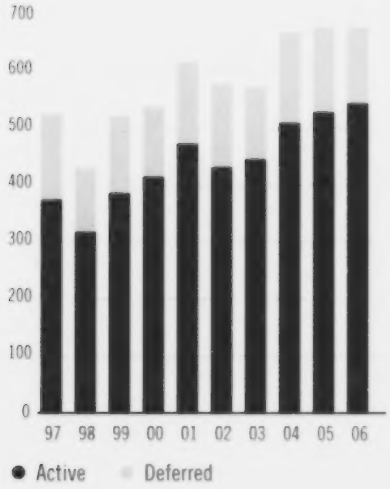
2006 RETIREES	Female	Male	Combined
Average Age	57.89	58.07	57.96
Average Service	26.25	30.74	28.00
Average Monthly Pension	$ 2,151	$ 2,528	$ 2,298
TOTAL RETIREES			
Average Monthly Pension	$ 1,654	$ 2,234	$ 1,902

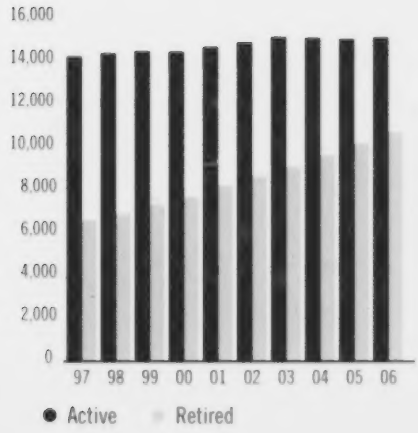
PENSIONS IN PAY

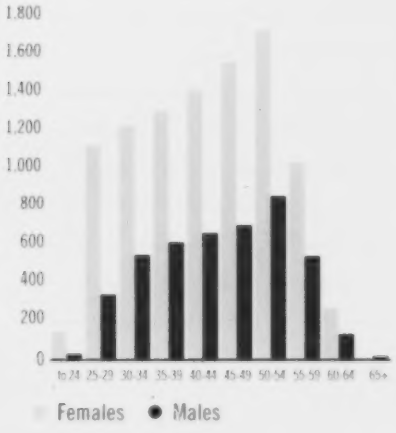
		2006	2005
Regular service pensions	– Female	5,376	5,051
	– Male	4,273	4,085
Beneficiaries of deceased retired members	– Female	412	408
	– Male	71	68
Other benefits including annuities		531	522
Total Recipients		10,663	10,134

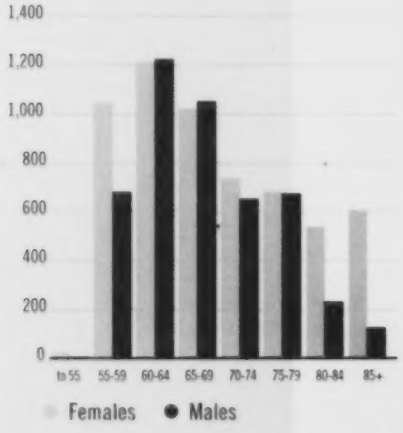
Arnel – Develops financial software systems for TRAF.

MANAGEMENT (L – R)
Jeff Norton - President & CEO; Ross Hadaller - Acting Vice President, Finance;
Les Brown - Vice President, Information Services; Kristi Baily - Associate Vice President,
Communications; Brenda Venuto - Vice President, Benefits Administration & Member Services.





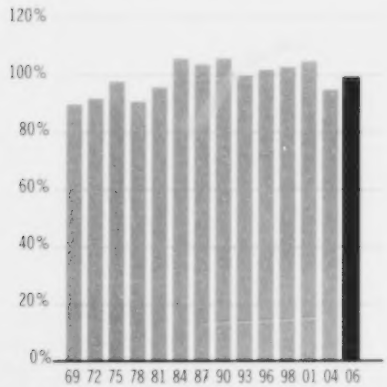




FUNDING Status

The funding status of a pension plan is an important measure of the plan's financial position and is determined through an actuarial valuation. A funding valuation compares the value of assets to the cost of future benefits payable to plan members as at the valuation date. The actuary must make a number of assumptions when estimating the future value of assets and cost of benefits. Key among those assumptions is the rate of return on investments and the life expectancy of members. Over time, the cost of benefits must balance with contributions and investment returns.

ACCOUNT A VALUATIONS



100% = FULLY FUNDED

BASIC BENEFIT ACCOUNTS (ACCOUNTS A & B)

Account A represents the pre-funded, member-financed portion of the Fund, and is responsible for the payment of roughly one-half of the basic pensions paid to retired members.

The Teachers' Pensions Act requires that an actuarial valuation be conducted at least once every three years. The most recent actuarial valuation of the assets and liabilities of Account A (excluding the Pension Adjustment Account, which is valued separately) was completed as at January 1, 2006 by Aon Consulting Inc., the actuary for the Fund. The next full actuarial valuation is expected to be performed as at January 1, 2009.

Wendy – Ensures that accurate pension payments are made on time to our over 10,000 retired members.

The January 1, 2006 valuation of Account A disclosed a deficit of $12.9 million, compared to a deficit of $126.5 million as at January 1, 2004. The most significant positive factors influencing the change in the funding status were strong investment performance in 2004 and 2005, and the contribution rate increase implemented in September 2005. The most material negative factor was a lower expectation for investment returns in 2006 and future years. Specifically, we lowered our future return expectations from 6.75% per annum to 6.25% per annum based on the recommendation from our actuary.

In connection with the valuation, the actuary also pointed out that current member contribution rates are still lower than necessary to fund the benefits to be accrued after the valuation date. The plan sponsors are aware of this situation.

Account B represents the unfunded government-financed portion of the Fund and is responsible for the payment of roughly one-half of the basic pensions plus one-half of the Cost of Living Adjustment (COLA) paid to retired members.

In conjunction with the valuation of Account A, the actuary assessed the Account B liabilities. Account B is financed by the province as benefit payments are made. The total accrued and future liabilities of Account B, including pension adjustments granted to the valuation date for which the province is directly responsible, were determined to be $2,934.5 million as at January 1, 2006. This compares to total liabilities of $2,496.3 million as at January 1, 2004.

A copy of the actuarial valuation of Accounts A & B is available to members upon request.

PENSION ADJUSTMENT ACCOUNT (PAA)

The PAA was established in 1977 for the purpose of financing 50% of annual pension adjustments to be granted in recognition of increases in the cost of living after a pension commences. The province finances the other one-half of the cost of living increases granted on a pay-as-you-go basis.

The PAA is credited with 16.6% of all teacher contributions. In addition, the PAA account balance is adjusted by the net investment returns of the Fund's mortgage, bond and debenture holdings in the applicable calendar year.

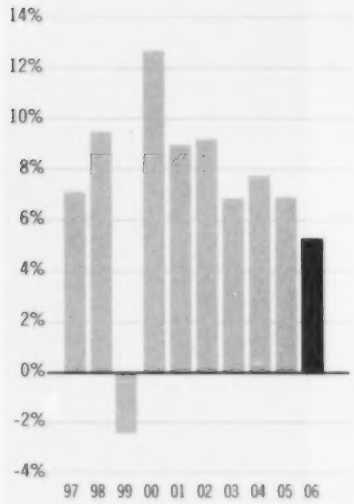
An actuarial valuation of the PAA is completed annually to determine what cost of living adjustment can be paid. Annual cost of living adjustments are the lesser of the prior year change (December over December) in the Consumer Price Index (CPI) for Canada and the amount that the PAA can support as determined by the plan's actuary.

The valuation as of December 31, 2005 showed a surplus of $8.7 million prior to the granting of an increase in 2006. This enabled TRAF to grant a cost of living increase of 0.64% effective July 1, 2006, which was approximately 29% of the 2.20% increase in CPI (Canada) during 2005.

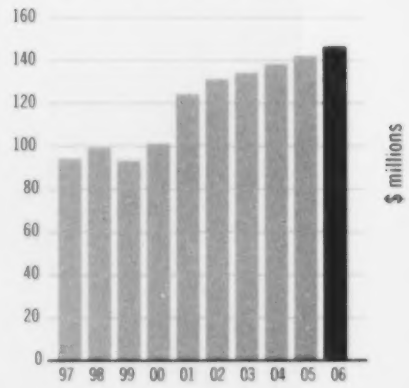
Based on a review conducted by our actuary in 2006, it was concluded that, under the current plan structure, future COLAs would average approximately 0.8% (with the annual amounts fluctuating above and below this long-term average). This situation has been under discussion with the plan sponsors for a number of years up to and including the present time.

In 2001, the Province of Manitoba established a trust account with TRAF for the purpose of accumulating funds for the eventual elimination of the province's unfunded pension obligation. During 2006, the province contributed approximately $50 million to this account, bringing the balance in this account as of December 31, 2006 to $315.7 million (inclusive of investment earnings). These assets do not form part of the net assets available to pay benefits.

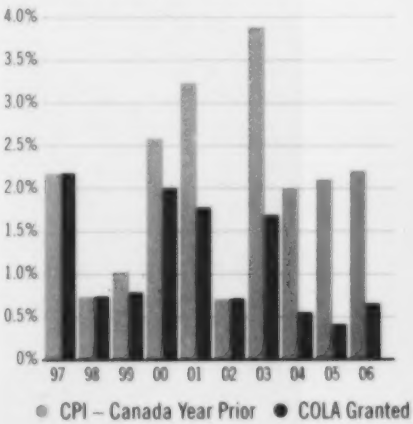
PENSION ADJUSTMENT ACCOUNT INVESTMENT RETURN



PENSION ADJUSTMENT ACCOUNT BALANCE



CPI – COLA COMPARISON



Investment OVERVIEW

In 2006, TRAF's investments produced a solid return of 15.6%. Perhaps more importantly, this return was 1.9% over the Fund's benchmark, producing over $46 million of additional return for the Fund in 2006. However, we must focus on the longer term, both in terms of strategy and results. Each is summarized below.

INVESTMENT OBJECTIVES AND STRATEGY

The objectives for TRAF's investment performance over the long-term are to:

- exceed the aggregate returns achieved by the Fund's indexed-based benchmark asset mix by 0.50% per annum;
- exceed the median fund performance results achieved in a universe of comparable balanced funds as calculated by an independent provider of performance measurement services; and
- achieve the expected rate of return after fees assumed in the most recent actuarial reports of Account A and the Pension Adjustment Account (PAA).

We are pleased to report that TRAF has achieved each of these objectives over the past 10 years on an annualized basis.

Thor – Oversees and evaluates TRAF's investment managers.

ASSET ALLOCATION

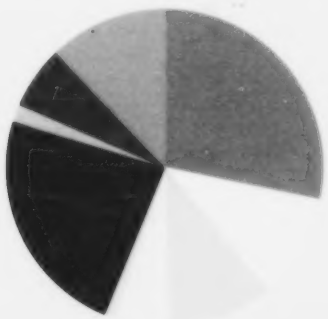
A key step in achieving TRAF's investment objectives is to have investable assets properly allocated among the various asset classes. To this end, TRAF annually determines target allocations, as well as acceptable ranges around these targeted benchmarks to accommodate both transitional matters and normal market fluctuations. TRAF has adopted the following overall asset allocation target weightings and benchmarks for Account A and the PAA effective January 1, 2007:

		Target Weightings			Actual Weightings
Asset Class	**Passive Benchmark**	**Account A**	**PAA[1]**	**Account A and PAA Combined**	**Account A and PAA Combined**
FIXED INCOME					
Cash & Short-Term	**91 Day T-Bills**	**1.1%**	**n/a**	**1.0%**	**1.0%**
Public Bonds	**Scotia Capital Universe Bond Index**	**19.9%**	**64.7%**	**22.0%**	**23.5%**
High Yield Debt	**Scotia Capital High Yield Index**	**3.6%**	**11.8%[2]**	**4.0%**	**1.9%**
Mortgages	**Scotia Capital Conventional Mortgage Index**	**7.2%**	**23.5%**	**8.0%**	**6.6%**
TOTAL FIXED INCOME		31.8%	100.0%	35.0%	33.0%
EQUITY					
Canadian Equity	**S&P/TSX 10% Capped Index**	**28.4%**		**27.0%**	**28.2%**
Core		24.2%		23.0%	23.9%
Income & Growth		4.2%		4.0%	4.3%
US Equity	**S&P 500 Total Return Index**	**10.5%**		**10.0%**	**10.7%**
Large Cap Growth		3.2%		3.0%	3.0%
Large Cap Value		4.2%		4.0%	4.6%
Small-Mid Cap		3.1%		3.0%	3.1%
Non-North American Equity	**Morgan Stanley EAFE Composite Index**	**10.5%**		**10.0%**	**10.5%**
EAFE Plus		6.3%		6.0%	6.2%
EAFE Value		4.2%		4.0%	4.3%
Private Equity		**7.3%**		**7.0%**	**5.5%**
Equity-Oriented	**S&P/TSX Capped Index +5%**	5.2%		5.0%	4.3%
Debt-Oriented	**SC Universe Bond Index +3%**	2.1%		2.0%	1.2%
TOTAL EQUITY		56.7%	n/a	54.0%	54.9%
REAL ESTATE					
Canadian Real Estate	**IPD Canadian Property Index**	**11.5%**		**11.0%**	**12.1%**
TOTAL REAL ESTATE		11.5%	n/a	11.0%	12.1%
TOTAL PORTFOLIO		**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Using December 31, 2006 data

[2] Bond holdings only

INVESTED ASSETS
AS OF DECEMBER 31



- Cash & Short-Term – 1.0%
- Public Bonds – 23.5%
- High Yield Debt – 1.9%
- Mortgages – 6.6%
- Canadian Equity – 28.2%
- US Equity – 10.7%
- Non-North American Equity – 10.5%
- Private Equity – 5.5%
- Real Estate – 12.1%

As part of our long-term strategy, TRAF is continuing to increase its exposure to both debt-oriented and equity-oriented private equity. For 2007, the target exposure for private equity has been increased to 7%, which represents a 1% increase from 2006. The intention is to increase the exposure to private equity to 10% by 2010. This target is based upon our belief that this asset class offers not only the potential for superior long-run returns, but also immediate diversification benefits relative to the overall portfolio.

INVESTMENT MANAGERS

TRAF engages various investment managers to select the individual stocks, bonds and other securities for each asset class. The table below summarizes our primary managers by asset class:

MANAGER	MANDATE(S)	YEAR ENGAGED
FIXED INCOME		
Greystone Managed Investments	Cash & Short-Term	1999
	Public Bonds	1999
	Mortgages	1999
Marret Asset Management	High Yield Debt	2000
PUBLIC EQUITY		
Greystone Managed Investments	Canadian	1999
	US	2000
Enhanced Investment Technologies	US	2004
Goldman Sachs Asset Management	US	2003
	Non-North American	2004
Franklin Templeton Investments	Non-North American	1990
Hansberger Global Investors	Non-North American	2004
PRIVATE EQUITY		
Frontier Capital Partners	Debt-Oriented	2002
TD Capital Mezzanine Partners	Debt-Oriented	2004
CFI Capital	Debt-Oriented	2004
Macquarie Funds Management	Debt-Oriented	2004
CAI Capital Partners	Equity-Oriented	1991
TD Capital Private Equity Investors	Equity-Oriented	2002
Torquest Partners	Equity-Oriented	2002
Imperial Capital Management	Equity-Oriented	2003
Adams Street Partners	Equity-Oriented	2003
Paul Capital	Equity-Oriented	2003
Richardson Partners	Equity-Oriented	2004
CentreStone Ventures	Equity-Oriented	2004
Tricor Pacific	Equity-Oriented	2006
REAL ESTATE		
Greystone Managed Investments	Canadian	1999

PERFORMANCE RESULTS

When assessing our results, the performance of each of TRAF's asset classes is compared to the composite benchmark index that has been selected by the Investment Committee and approved by the Board.

This quantitative analysis, together with other subjective criteria, assists in the review of each investment manager engaged by TRAF. We also measure our overall portfolio performance against a weighted average of the passive benchmark returns based on TRAF's target allocations.

This table shows the returns for each of TRAF's individual asset classes, the total portfolio return, and the corresponding benchmark returns for the one-year, five-year and 10-year periods ending December 31, 2006.

ANNUALIZED INVESTMENT PERFORMANCE SUMMARY

RETURNS %	1-YEAR	5-YEAR	10-YEAR
Total Fund	15.6%	10.5%	9.5%
Benchmark	13.7%	9.2%	8.8%
Cash & Short-Term	3.9%	2.9%	3.9%
91 Day T-Bills	4.0%	2.9%	3.7%
Public Bonds	4.6%	7.0%	7.0%
SC Universe Bond	4.1%	6.6%	6.9%
Mortgages	6.1%	7.3%	7.5%
SC Conventional Mortgage	5.4%	5.7%	6.5%
High Yield Debt	9.0%	10.1%	n/a
SC High Yield	9.4%	9.9%	n/a
Canadian Equity	21.3%	15.9%	13.7%
S&P/TSX 10% Capped	17.3%	13.1%	11.1%
US Equity	12.6%	1.8%	7.8%
S&P 500 Total Return ($ Cdn)	15.6%	-0.3%	6.7%
Non-North American Equity	27.8%	7.8%	7.2%
MSCI EAFE Composite ($ Cdn)	26.2%	8.0%	6.0%
Private Equity[2]	14.1%	n/a	n/a
PE Benchmark[3]	15.1%	n/a	n/a
Real Estate	22.0%	15.8%	14.6%
IPD All Property	18.3%	13.1%	13.1%

[1] Information compiled by Towers Perrin, an independent provider of performance measurement services.

[2] Prior to 2006, private equity returns were incorporated into Canadian equity returns.

[3] Blended benchmark based on appropriate weighting of SC Universe Bond Index plus 3% per annum and S&P/TSX 10% Capped Total Return Index plus 5% per annum.

Strong portfolio returns in 2006 helped TRAF meet its three key investment performance objectives:

- The total Fund return of 15.6% outperformed its weighted passive benchmark by 1.9%. Five of nine asset classes (namely public bonds, mortgages, Canadian equity, Non-North American equity and real estate), representing 81% of total assets, outperformed their respective benchmark returns during the year.
- TRAF's performance exceeded that of the median comparable balanced fund, and placed it in the first quartile (top 25%) among its peers.
- The net returns after fees in 2006 experienced by both Account A and the PAA exceeded TRAF's long-term actuarial funding assumptions of 6.25% per annum for Account A and 4.50% per annum for the PAA.

It is perhaps more relevant to note that every asset class exceeded its benchmark return over the 10-year period ending December 31, 2006. On a total fund basis, the excess return over the benchmark for the 10-year period from 1997 to 2006 was 0.7%. We will strive to achieve similar results in 2007 and future years.

INVESTMENT COSTS

TRAF closely manages investment related costs as they directly impact net returns. Our investment related expenses in 2005 and 2006 were as follows:

INVESTMENT COSTS

$ THOUSANDS

CATEGORY	2006	2005
Investment manager fees	**$4,809**	$4,042
Private equity manager fees	**1,361**	774
Salaries and benefits	**188**	155
Office and administration	**55**	51
Custody and banking	**291**	277
Communication and travel	**17**	19
Professional fees	**35**	51
Board expenses	**28**	33
Portfolio oversight	**16**	1
Total	**$6,800**	$5,403

The investment manager fees noted are those paid to external managers in respect of all asset classes other than private equity. The private equity manager fees set out above are the base fees charged in the year by "fund-of-fund" private equity managers. While the private equity manager fees are accounted for in our rate of return calculations (i.e. performance is net of these fees), the decision to incur such fees represents an "outsourcing" decision by TRAF and they are therefore included in our investment related costs.

The other expenses reflect that portion of TRAF's overall general expenses that were incurred in connection with investment related activities. Once determined, the total investment related costs are divided by TRAF's average amount of invested assets throughout the year.

Based on this methodology, TRAF's investment related costs in 2006 were 24 basis points (a basis point is equal to .01%). To state this another way, investment related costs for TRAF were 24¢ per $100 of invested assets. Based on publicly available reports and other sources of information, TRAF believes that its investment related costs are similar to, or less than, other plans of similar size and structure. Costs in 2006 per $100 of assets were 2¢ higher than 2005, an increase of approximately 9%. We expect that TRAF's investment related costs will continue to increase over the next several years as TRAF expands both its private equity and general portfolio oversight programs.

In addition to these fees, each private equity limited partnership that TRAF invests in, either directly or through "fund-of-fund" managers, charges additional management fees. Specifically, a portion of the capital advanced to each private equity limited partnership is used to pay management fees. These management fees are used by the general partner to support its activities, such as selecting individual investments and providing ongoing management assistance to the underlying companies.

TRAF's private equity management fees approximate 2% of the total amount committed by TRAF to private equity limited partnerships. During 2006, TRAF paid, directly or indirectly, fees in respect of such management services totalling approximately $4.9 million, which equates to 17 basis points or 17¢ per $100 of assets. As noted, these fees were included in the capital advanced to the limited partnerships. As such fees are generally recovered by TRAF before the determination of private equity performance, they have been excluded from TRAF's total investment related costs set out above.

SUMMARY

2006 was a truly remarkable year for TRAF, with the plan generating its strongest returns in its 81-year history. While the total Fund produced a 15.6% rate of return, the Canadian equities, Non-North American equities and real estate asset classes each generated returns in excess of 20%.

In light of the strong market returns of the past few years, it is important to maintain a sense of perspective. As impressive as the short-term plan performance has been, the ability of the plan to meet its investment objectives must ultimately be measured over the long-term. Our performance in 2006 is significantly more likely to be the exception, not the norm. To this end, we continue to actively monitor and adjust the portfolio in an attempt to maximize long-term risk adjusted returns of the portfolio.

SUMMARY OF

Portfolio HOLDINGS

Commitment. **Confidence.** Security.

2006

SUMMARY OF FIXED INCOME HOLDINGS

AS OF DECEMBER 31

CASH & SHORT-TERM

TYPE	%
Treasury Bills	26
Bankers Acceptances	49
Commercial Paper	16
U.S. Cash	9
	100

PUBLIC BONDS

TYPE	%
Canadian	54
Provincial	25
Corporate	20
Municipal	1
	100

HIGH YIELD DEBT

SECTOR	%
Energy	24
Industrial	40
Financial Services	6
Telecommunications Services	28
Other	2
	100

MORTGAGES

PROPERTY TYPE	%
Industrial	24
Office	28
Residential	22
Retail	22
Mixed Use	4
	100

PROPERTY LOCATION	%
Ontario	34
Alberta	32
Manitoba	16
British Columbia	15
Quebec	2
Saskatchewan	1
	100

SUMMARY OF REAL ESTATE HOLDINGS

AS OF DECEMBER 31

REAL ESTATE

PROPERTY TYPE	%
Industrial	37
Office	30
Residential	0
Retail	33
	100

PROPERTY LOCATION	%
Ontario	43
Alberta	25
British Columbia	20
Manitoba	7
Quebec	3
Saskatchewan	2
	100

TOP TEN HOLDINGS	FAIR VALUE ($ THOUSANDS)	%[1]
Greystone Real Estate Fund	29,325.1	7.9
50 Bloor Street West (Toronto)	20,311.4	5.5
Bramalea Shopping Centre (Brampton)	16,825.4	4.6
Summerlea Clark (Brampton)	13,472.1	3.6
Crossroads Shopping Centre (Winnipeg)	12,423.6	3.4
KS Equities No. 2 Inc.	12,037.1	3.3
Skyview Power Centre (Edmonton)	11,315.3	3.1
Hewlett-Packard Head Office (Mississauga)	11,197.6	3.0
3100 Production Way (Burnaby)	10,904.2	2.9
City West Equities	10,870.0	2.9

[1] Of total Real Estate holdings

SUMMARY OF PUBLIC EQUITY HOLDINGS

AS OF DECEMBER 31

CANADIAN EQUITIES

GREYSTONE MANAGED INVESTMENTS

TOP TEN HOLDINGS	FAIR VALUE ($ THOUSANDS)	%[1]
Royal Bank of Canada	57,304.9	6.7
Manulife Financial Corp.	54,599.7	6.4
Bank of Nova Scotia	47,529.8	5.5
Goldcorp Inc.	34,841.0	4.1
Teck Cominco Ltd.	33,790.5	3.9
Canadian Imperial Bank of Commerce	33,274.1	3.9
Power Corporation of Canada	31,666.4	3.7
Canadian National Railway	31,106.0	3.6
Husky Energy Inc.	30,794.6	3.6
Rogers Communications Inc.	28,938.4	3.4

[1] Of total Canadian Equity holdings

SECTOR	%
Energy	20
Materials	13
Industrial	8
Consumer Discretionary	6
Consumer Staples	5
Health Care	0
Financial Services	35
Information Technology	4
Telecommunications Services	8
Utilities	1
	100

U.S. EQUITIES

GREYSTONE MANAGED INVESTMENTS

TOP TEN HOLDINGS	FAIR VALUE ($ THOUSANDS)	%
Merrill Lynch & Company Inc.	3,759.4	4.1
Citigroup Inc.	3,529.3	3.9
Franklin Resources Inc.	3,301.3	3.6
General Electric Co.	3,232.0	3.5
Coach Inc.	3,170.5	3.5
Exxon Mobil Corp.	3,150.5	3.5
Bank of America Corp.	3,141.3	3.4
AT&T Inc.	3,040.3	3.3
Cisco Systems Inc.	3,036.3	3.3
Proctor & Gamble Co.	3,032.8	3.3

[1] Of total U.S. Equities managed by Greystone Managed Investments

SECTOR	%
Energy	11
Materials	4
Industrial	9
Consumer Discretionary	13
Consumer Staples	9
Health Care	13
Financial Services	22
Information Technology	13
Telecommunications Services	3
Utilities	3
	100

SUMMARY OF PUBLIC EQUITY HOLDINGS (CONT'D)

AS OF DECEMBER 31

U.S. EQUITIES
GOLDMAN SACHS ASSET MANAGEMENT*

TOP TEN HOLDINGS	FAIR VALUE ($ THOUSANDS)	%[1]
Cameron International Corp.	2,554.7	2.7
Fortune Brands Inc.	2,432.2	2.6
St. Jude Medical Inc.	2,422.7	2.6
Check Free Corp.	2,422.7	2.6
Weatherford International Ltd.	2,394.5	2.5
Harman International Industries Inc.	2,394.5	2.5
Smith International Inc.	2,158.8	2.3
W.W. Granger Inc.	2,158.8	2.3
Amphenol Corp.	2,111.7	2.2
Alliant Technosystems Inc.	2,092.8	2.2

[1] Of total U.S. Equities managed by Goldman Sachs Asset Management

SECTOR	%
Energy	14
Materials	0
Industrial	9
Consumer Discretionary	25
Consumer Staples	1
Health Care	13
Financial Services	5
Information Technology	28
Telecommunications Services	5
Utilities	0
	100

* TRAF holds its investments through a pooled investment vehicle. The holdings listed reflect TRAF's economic exposure. TRAF does not have title to the individual securities.

U.S. EQUITIES
ENHANCED INVESTMENT TECHNOLOGIES

TOP TEN HOLDINGS	FAIR VALUE ($ THOUSANDS)	%[1]
Exxon Mobil Corp.	6,072.8	4.3
General Electric Co.	4,594.3	3.3
Pfizer Inc.	4,340.1	3.1
Bank of America Corp.	3,926.6	2.8
Citigroup Inc.	3,817.8	2.7
Proctor & Gamble Co.	3,111.3	2.2
AT&T Inc.	2,744.3	1.9
JP Morgan Chase & Co.	2,438.5	1.7
Verizon Communications	1,992.1	1.4
Bellsouth Corp.	1,946.2	1.4

[1] Of total U.S. Equities managed by Enhanced Investment Technologies.

SECTOR	%
Energy	8
Materials	4
Industrial	9
Consumer Discretionary	10
Consumer Staples	12
Health Care	8
Financial Services	35
Information Technology	2
Telecommunications Services	6
Utilities	6
	100

SUMMARY OF PUBLIC EQUITY HOLDINGS (CONT'D)

AS OF DECEMBER 31

NON-NORTH AMERICAN EQUITIES
FRANKLIN TEMPLETON INVESTMENTS

TOP TEN HOLDINGS	FAIR VALUE ($ THOUSANDS)	%[1]
ING Group	2,969.0	2.2
Compass Group	2,687.9	2.0
Vodafone Group	2,684.9	2.0
Royal Bank of Scotland	2,630.9	2.0
Assa Abloy	2,434.8	1.8
AXA	2,423.5	1.8
France Telecom	2,417.5	1.8
Telefonica SA Sponsored	2,398.2	1.8
Deutsche Post AG	2,268.3	1.7
National Australia Bank	2,254.9	1.7

[1] Of total Non-North American Equities managed by Franklin Templeton Investments.

REGION	%
Europe (except U.K.)	48
U.K.	26
Pacific (except Japan)	6
Japan	11
Emerging Markets	9
	100

SECTOR	%
Energy	6
Materials	6
Industrial	12
Consumer Discretionary	19
Consumer Staples	4
Health Care	7
Financial Services	22
Information Technology	7
Telecommunications Services	13
Utilities	4
	100

NON-NORTH AMERICAN EQUITIES
HANSBERGER GLOBAL INVESTORS*

TOP TEN HOLDINGS	FAIR VALUE ($ THOUSANDS)	%[1]
Prudential PLC	2,573.8	2.8
Telefonica SA	2,434.0	2.6
UniCredito Italiano SPA.	2,406.0	2.6
Novartis AG	2,284.7	2.5
Denso Corporation	2,182.2	2.3
Esprit Holdings Limited	2,135.5	2.3
Banco Bilbao Vizcaya Argentaria	2,088.9	2.2
Barclay's PLC	1,855.8	2.0
Roche Holdings AG	1,855.8	2.0
Orix Corporation	1,827.8	2.0

[1] Of total Non-North American Equities Managed by Hansberger Global Investors.

REGION	%
Europe (except U.K.)	46
U.K.	16
Pacific (except Japan)	9
Japan	16
Emerging Markets	13
	100

SECTOR	%
Energy	8
Materials	8
Industrial	10
Consumer Discretionary	17
Consumer Staples	6
Health Care	8
Financial Services	26
Information Technology	11
Telecommunications Services	4
Utilities	2
	100

* TRAF holds its investments through a pooled investment vehicle. The holdings listed reflect TRAF's economic exposure. TRAF does not have title to the individual securities.

SUMMARY OF PUBLIC EQUITY HOLDINGS (CONT'D)

AS OF DECEMBER 31

GOLDMAN SACHS ASSET MANAGEMENT*

TOP TEN HOLDINGS	FAIR VALUE ($ THOUSANDS)	%[1]
Deutsche Bank	2,934.1	3.1
Norsk Hydro	2,471.8	2.6
Royal Bank of Scotland	2,358.6	2.5
BNP Paribas	2,292.5	2.4
Voest-Alpine AG	2,292.5	2.4
Royal Dutch Shell	2,169.9	2.3
Vivendi SA	2,132.2	2.3
Zurich Financial Services	2,018.9	2.1
Unilever PLC	1,868.0	2.0
Roche Holdings AG	1,858.6	2.0

[1] Of total Non-North American Equities managed by Goldman Sachs Asset Management

REGION	%
Europe (except U.K.)	57
U.K.	19
Pacific (except Japan)	4
Japan	20
Emerging Markets	0
	100

SECTOR	%
Energy	8
Materials	8
Industrial	12
Consumer Discretionary	14
Consumer Staples	7
Health Care	5
Financial Services	29
Information Technology	5
Telecommunications Services	6
Utilities	6
	100

* TRAF holds its investments through a pooled investment vehicle. The holdings listed reflect TRAF's economic exposure. TRAF does not have title to the individual securities.

SUMMARY OF PRIVATE EQUITY HOLDINGS

AS OF DECEMBER 31

TOP TEN HOLDINGS BY MANAGER (COMMITTED CAPITAL)	COMMITTED ($ THOUSANDS)	%[1]
TD Capital Private Equity Investors	104,733.0	25.3
Adams Street Partners	87,277.5	21.1
Torquest Partners	35,000.0	8.4
Paul Capital	29,092.5	7.0
TD Capital Mezzanine Partners	25,000.0	6.1
Macquarie Funds Management	20,000.0	4.8
CAI Capital Partners	20,000.0	4.8
Imperial Capital Management	20,000.0	4.8
Richardson Partners	20,000.0	4.8
Frontier Capital Partners	17,000.0	4.1

[1] Of total Private Equity commitments in the five year period ended December 31, 2006

REGION	%
Canada	54
U.S.	41
Europe	4
Asia	1
	100

SECTOR	%
Energy	13
Materials	3
Industrial	19
Consumer Discretionary	28
Consumer Staples	2
Health Care	11
Financial Services	6
Information Technology	11
Telecommunications Services	4
Other	3
	100

10-YEAR DATA SUMMARY

(AS AT DECEMBER 31 UNLESS OTHERWISE NOTED; NUMBERS MAY NOT ADD DUE TO ROUNDING)

FINANCIAL STATEMENT DATA ($ MILLIONS)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Inflows										
Member Contributions	43.4	43.8	45.0	46.0	47.5	52.6	50.9	52.4	57.9	65.1
Provincial Contributions	60.2	63.7	71.3	74.3	83.2	89.8	102.6	105.9	113.2	124.6
Investment Income[1]	80.5	67.3	69.2	73.7	72.5	80.7	65.3	60.1	52.5	51.7
Investment – Change in Value	69.8	41.7	100.5	116.5	(31.7)	(124.8)	163.3	174.6	265.4	308.6
Other Contributions (buybacks, transfers, etc.)	0.2	2.2	0.2	0.9	0.9	0.8	1.9	2.4	0.8	2.5
Total	**254.1**	**218.7**	**286.2**	**311.4**	**172.4**	**99.1**	**384.0**	**395.4**	**489.8**	**552.5**
Outflows										
Pension Payments	112.1	121.6	130.8	141.0	157.0	169.2	183.0	197.2	212.0	227.1
Other Payments (refunds, transfers, etc.)	5.6	6.0	11.4	8.2	9.0	10.4	22.5	15.1	14.3	23.9
General Expenses	2.2	2.2	2.3	2.4	3.0	2.9	3.0	3.6	4.0	3.9
Total	**119.9**	**129.8**	**144.5**	**151.6**	**169.0**	**182.5**	**208.5**	**215.9**	**230.3**	**254.9**
Net Increase (Decrease)	**134.2**	**88.9**	**141.7**	**159.8**	**3.4**	**(83.4)**	**175.5**	**179.5**	**259.5**	**297.6**
Assets Available for Benefits										
Basic Benefit Account	1,430.1	1,513.6	1,661.3	1,812.9	1,793.8	1,703.4	1,876.3	2,051.3	2,306.4	2,600.8
Pension Adjustment Account	93.8	99.2	93.2	101.4	123.9	130.9	133.5	138.0	142.4	145.6
Total	**1,523.9**	**1,612.8**	**1,754.5**	**1,914.3**	**1,917.7**	**1,834.3**	**2,009.8**	**2,189.3**	**2,448.8**	**2,746.4**
Province of Manitoba Trust Account										
New Teacher Account	-	-	-	-	0.9	7.3	18.6	20.9	32.5	48.8
General Account	-	-	-	-	12.5	74.1	116.1	130.4	194.1	266.9
Total	**-**	**-**	**-**	**-**	**13.4**	**81.4**	**134.7**	**151.3**	**226.6**	**315.7**
Actuarial Valuation of Basic Benefit Account (as at January 1)										
Surplus (Deficit) – Valuation Years Only	-	**43.9**	-	-	**102.9**	-	-	**(126.5)**	-	**(12.9)**

[1] Net of investment manager fees.

10-YEAR DATA SUMMARY

(AS AT DECEMBER 31 UNLESS OTHERWISE NOTED; NUMBERS MAY NOT ADD DUE TO ROUNDING)

INVESTMENT DATA ($ MILLIONS)[2]		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Investments											
Fixed Income	Cash & Short-Term	117.5	112.2	23.4	29.1	10.1	66.7	2.9	14.8	73.9	31.1
	Public Bonds	524.3	612.8	703.2	661.5	566.3	569.1	588.3	608.8	620.9	715.3
	High Yield Debt	-	-	-	43.8	48.2	60.8	54.3	42.8	56.6	56.4
	Mortgages	106.4	100.8	76.7	87.9	95.2	111.4	151.7	161.2	186.6	200.1
Equities	Canadian	424.1	384.4	474.8	581.7	576.4	518.1	680.3	753.8	768.3	857.5
	US	85.4	136.8	141.1	171.0	263.6	194.5	221.0	233.0	263.4	327.1
	Non-North American	127.1	114.0	181.5	182.3	179.2	201.2	207.0	193.1	251.5	321.3
	Private	41.8	30.8	26.8	28.9	25.4	17.7	37.0	59.7	118.6	167.7
Real Estate	Canadian	86.5	108.4	117.5	119.7	156.4	156.8	193.5	258.6	325.7	369.7
Total		**1,513.1**	**1,600.3**	**1,744.9**	**1,905.9**	**1,920.7**	**1,896.4**	**2,135.8**	**2,325.8**	**2,665.8**	**3,046.2**
Investment Costs											
	Investment Manager Fees	2.6	3.4	3.4	3.4	3.1	2.9	3.2	3.6	4.0	4.8
	Private Equity Manager Fees[3]	-	-	-	-	-	-	0.7	0.8	0.8	1.4
	Other Investment Related Expenses	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
Total		**3.2**	**3.9**	**3.9**	**3.9**	**3.6**	**3.4**	**4.4**	**5.0**	**5.4**	**6.8**
Investment Costs per $100 of Assets[4]		**$0.22**	**$0.25**	**$0.23**	**$0.21**	**$0.19**	**$0.18**	**$0.22**	**$0.22**	**$0.22**	**$0.24**
Rate of Return		11.1%	7.7%	10.7%	11.0%	2.3%	(2.1%)	13.0%	12.1%	14.8%	15.6%
Benchmark Return		12.9%	9.4%	13.0%	8.3%	(1.6%)	(4.6%)	14.2%	10.6%	13.2%	13.7%
Value Added		**(1.8%)**	**(1.7%)**	**(2.3%)**	**2.7%**	**3.9%**	**2.5%**	**(1.2%)**	**1.5%**	**1.6%**	**1.9%**
MEMBERSHIP DATA											
Membership (as at July 31)											
	Active Members	14,179	14,311	14,409	14,385	14,611	14,827	15,076	15,035	14,983	15,063
	Retired Members	6,552	6,857	7,252	7,643	8,155	8,606	9,048	9,575	10,134	10,663
	Deferred Members	6,500	6,500	6,500	6,944	6,500	6,500	7,143	7,185	7,417	6,259
Total		**27,231**	**27,668**	**28,161**	**28,972**	**29,266**	**29,933**	**31,267**	**31,795**	**32,534**	**31,985**
New Retired Members		**525**	**428**	**521**	**537**	**614**	**574**	**565**	**658**	**679**	**673**
Administrative Cost per Member[5]		**$76**	**$79**	**$83**	**$88**	**$111**	**$103**	**$108**	**$118**	**$131**	**$120**
Cost of Living Adjustments (COLA)											
	Consumer Price Index (CPI) – Prior Year	2.17%	0.73%	1.02%	2.58%	3.23%	0.70%	3.88%	2.00%	2.10%	2.20%
	COLA Granted	2.17%	0.73%	0.78%	2.00%	1.77%	0.70%	1.68%	0.54%	0.40%	0.64%
	COLA Granted (% of CPI)	100.0%	100.0%	76.5%	77.5%	54.8%	100.0%	43.3%	27.0%	19.0%	29.1%

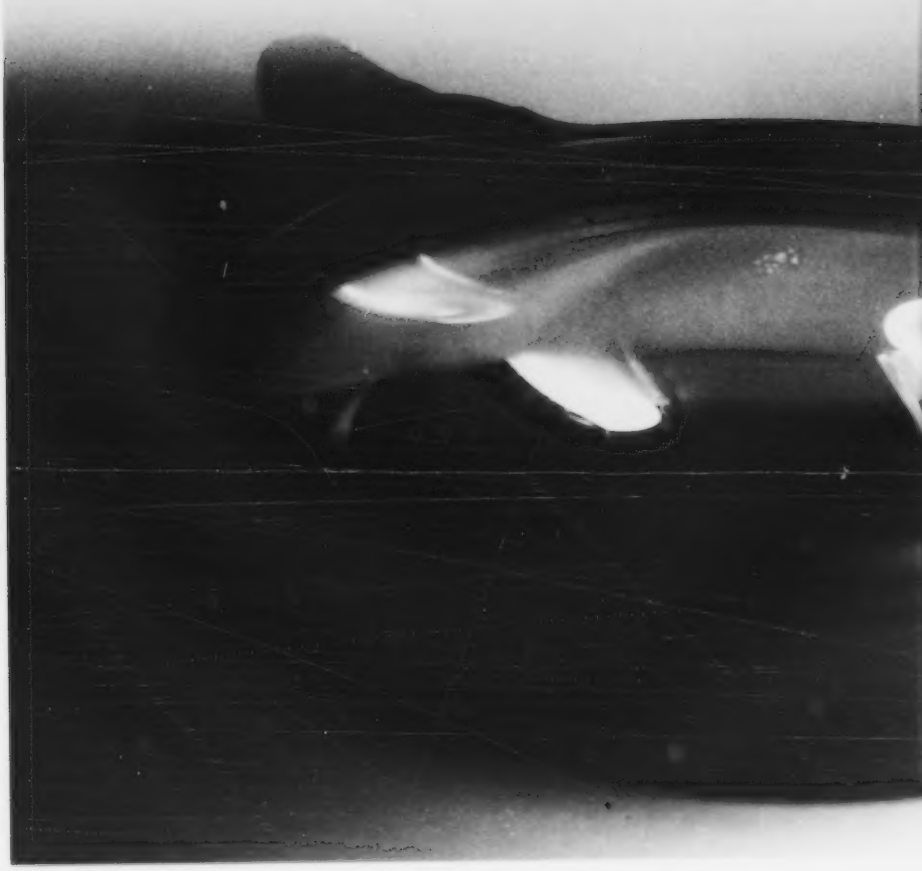
[2] Includes Province of Manitoba Trust Account.
[3] The stated fees are the base fees charged in the year by "fund-of-fund" private equity managers. See the "Investment Overview" section in this Annual Report for additional commentary.
[4] Costs are based on an asset level equal to the midpoint between the value of the respective year's opening and closing total investments.
[5] Based on Active and Retired Members only (i.e. excluding Deferred Members).

AUDITED

Financial STATEMENTS

Commitment. Confidence. Security.

2006



MANAGEMENT RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Teachers' Retirement Allowances Fund and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements include some amounts, such as the market value of investments, that are necessarily based on management's best estimates and judgement.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the Annual Report are consistent with the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains the internal control systems and practices necessary to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The firm of Aon Consulting Inc. has been appointed the independent consulting actuary to the Fund. The role of the actuary is to complete an actuarial valuation of the Fund in accordance with accepted actuarial practice; the results of the valuation are included in the consolidated financial statements.

Ultimate responsibility for the financial statements rests with the Board, which is assisted in its responsibilities by the staff and the Audit Committee. The Audit Committee is comprised of two Board members and one external member. The Audit Committee reviews the auditor's report and the financial statements and makes recommendations to the Board concerning approval.

The Fund's independent external auditor, the Auditor General of Manitoba is responsible for auditing the consolidated financial statements of the Fund and for issuing their report thereon. The Auditor General has full and unrestricted access to the Audit Committee.

Jeff Norton, LLM, CFA
PRESIDENT & CEO

Ross Hadaller, CMA
ACTING VICE PRESIDENT, FINANCE

Winnipeg, Manitoba
February 23, 2007

Office of the Provincial Auditor

500-330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

To the Members of the Teachers' Retirement Allowances Fund

We have audited the consolidated statement of net assets available for benefits of the Teachers' Retirement Allowances Fund as at December 31, 2006 and the consolidated statement of changes in net assets available for benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2006 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Carol Bellringer

Carol Bellringer, FCA, MBA
AUDITOR GENERAL

Winnipeg, Manitoba
February 23, 2007

TEACHERS' RETIREMENT ALLOWANCES FUND

CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT DECEMBER 31, 2006

($ THOUSANDS)

	ACCOUNT A		2006	2005
	BASIC BENEFITS	PENSION ADJUSTMENTS	TOTAL	TOTAL
Assets				
Investments, Note 3	$ 2,901,206	$ 145,035	$ 3,046,241	$ 2,665,628
Investment income receivable	11,103	-	11,103	9,875
Receivable for settlement of outstanding trades	10,320	-	10,320	-
Contributions and other receivables, Note 4	13,980	609	14,589	14,518
Cash	-	-	-	2,979
Computer and office equipment, Note 5	225	-	225	213
Prepaid expense	7	-	7	7
Total Assets	2,936,841	145,644	3,082,485	2,693,220
Liabilities				
Bank indebtedness	3,919	-	3,919	-
Accrued liabilities	5,942	-	5,942	5,320
Payable for settlement of outstanding trades	-	-	-	3,022
Money Purchase Accounts, Note 7	1,311	-	1,311	936
Employer Trust Accounts, Note 8				
The Manitoba Teachers' Society	5,977	-	5,977	5,479
Manitoba Association of School Trustees	326	-	326	313
Province of Manitoba Trust Account, Note 9	315,662	-	315,662	226,611
Provision for Fund's share of employees' pension benefits, Note 10	2,899	-	2,899	2,721
Total Liabilities	336,036	-	336,036	244,402
Net Assets Available for Benefits	$ 2,600,805	$ 145,644	$ 2,746,449	$ 2,448,818

On behalf of the Board

Mal Anderson, CA
CHAIR

Ray Desrochers, CA
BOARD MEMBER

TEACHERS' RETIREMENT ALLOWANCES FUND

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2006

(in thousands)

	2006			
	BASIC BENEFITS	PENSION ADJUSTMENTS	TOTAL	TOTAL
Increase in Assets				
Contributions, Note 11	$ 182,441	$ 9,791	$ 192,232	$ 171,967
Net investment income, Note 12	44,425	7,314	51,739	52,533
Current period change in fair value of investments, Note 13	308,635	-	308,635	265,369
Total Increase in Assets	535,501	17,105	552,606	489,869
Decrease in Assets				
Pensions paid	213,301	13,837	227,138	212,012
Refunds	10,176	-	10,176	5,595
Transfers under reciprocal agreements	13,742	-	13,742	8,668
General expenses, Note 16	3,919	-	3,919	4,051
Total Decrease in Assets	241,138	13,837	254,975	230,326
Change in Net Assets	294,363	3,268	297,631	259,543
Net Assets Available for Benefits at Beginning of Year	2,306,442	142,376	2,448,818	2,189,275
Net Assets Available for Benefits at End of Year	$ 2,600,805	$ 145,644	$ 2,746,449	$ 2,448,818

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF PLAN

The following description of the Teachers' Retirement Allowances Fund ("the Fund") plan is a summary only. For more complete information, reference should be made to The Teachers' Pensions Act ("the Act"), as amended.

(A) GENERAL

The Teachers' Retirement Allowances Fund Board ("the Board") was originally constituted under an Act passed at the 1925 session of the Manitoba Legislature. The Board currently operates under the authority of the Act. The Board is charged with responsibility for administering the Act and functions as trustee of a fund maintained to provide defined benefit pensions to public school teachers in Manitoba.

The Act provides for distinct and separate accounts in the Fund, known respectively as Account A and Account B. In Account A, the Fund records the net assets arising from teacher contributions and all payments of pensions, allowances and expenses. Account A also receives a transfer from Account B as reimbursement for the Province of Manitoba's half of the pensions paid by the Fund. Account B records the receipt of the Province's payments for its share of pensions paid and certain other payments as described in the Act. Account B is reduced by transfers to Account A. The balance of Account B is reflected as a receivable on the consolidated statement of net assets available for benefits, Note 4.

The Fund maintains separate trust accounts for The Manitoba Teachers' Society (MTS) and the Manitoba Association of School Trustees (MAST). Qualifying employees of these organizations are considered to be teachers for purposes of participating in the Fund. Employer obligations for benefits, in respect of these individuals, are funded through these separate trust accounts.

The Fund holds monies in trust on behalf of the Province of Manitoba. The Province of Manitoba Trust Account is shown as a liability on the statement of net assets available for benefits, Note 9.

The Fund also keeps separate Money Purchase Accounts to hold other related funds on a trust basis, Note 7.

(B) FUNDING

The Act requires all Manitoba public school teachers to contribute to the Fund on a basis related to their salary. Through an amendment to the Act, effective September 1, 2005 contribution rates increased to 6.8% (from 5.7%) on pensionable earnings up to the Canada Pension Plan's yearly maximum pensionable earnings (YMPE) and to 8.4% (from 7.3%) on pensionable earnings in excess of the YMPE. In accordance with the Act, 83.4% (83.5% to August 31, 2005) of contributions are used to fund basic benefits and 16.6% (16.5% to August 31, 2005) of contributions are allocated to the Pension Adjustment Account for the purpose of indexing benefits.

In accordance with the Act, the Province of Manitoba contributes its share of pensions paid during the year and certain other statutory charges. The Province's liability for pension benefits, which is approximately $2.4 billion, is unfunded, Note 18.

(C) RETIREMENT PENSIONS

An unreduced pension is available at age 60, or as early as age 55 where combined age and service equals 80. Members are eligible to retire with a reduced pension at age 55 with 10 years of qualifying service, provided that two of the years are within a 10-year period ending after 1984. The reduction in pension is offset by a bridging benefit payable to the earlier of age 65 or death. All members must commence pension benefits no later than December 31 of the year age 69 is attained.

(D) WITHDRAWAL REFUNDS

Subject to lock-in provisions, refunds are available when an active member ceases employment.

(E) DEATH BENEFITS

i. Active members
Upon the death of an active member, a lump sum is payable to the estate or beneficiary based on pre-1985 contributions and interest and the commuted value of the post-1984 deferred pension. A spouse may elect to convert the lump sum benefit to a monthly annuity. Where the service is non-vested, the benefit payable is the contributions and interest accumulated in 1985 and later.

ii. Retired members
Upon the death of a retired member, pension benefits continue to be paid to a beneficiary where a survivor option has been selected. Where the contributions and interest accumulated at the pension effective date is greater than the pension paid out to the date of death, the excess is payable to the estate or beneficiary.

(F) OTHER PROVISIONS

i. Buybacks
Purchase of past service and reinstatement of refunded service is allowed, pursuant to the terms and conditions contained in the Act.

ii. Relationship break-up
Where a marriage or common-law relationship has broken up in 1984 or later, the spouse/partner is entitled to one-half the value of the pension earned during the period of relationship pursuant to the terms and conditions contained in the Act.

iii. Teaching while receiving a pension
A member who retires and returns to teach within 90 calendar days of retirement, is deemed not to have retired. The member must repay any pension benefits received and resume contributing to the Fund. A retired member can receive a pension while teaching until the member reaches the 121st full day of service in one school year. A full day of service is considered anything over 50% time. When the 121st full day is reached, the member's pension is suspended and the member must resume contributing to the Fund.

iv. Reciprocal transfer agreements
The Act provides for a transfer of pensionable service between participating pension plans in accordance with the terms of a reciprocal transfer agreement.

(G) COST OF LIVING ADJUSTMENTS

Pensions are adjusted annually by the lesser of the change in the Canada Consumer Price Index or the amount actuarially available in the Pension Adjustment Account to fund one-half of the cost of living adjustment.

(H) INCOME TAXES

The Teachers' Retirement Allowances Fund is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income taxes. The Fund's registration number is 0273698.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

The Fund's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

These financial statements consolidate the assets, liabilities, revenues and expenses of the Fund and of its wholly owned subsidiary, TRAF Realty Ltd. TRAF Realty Ltd. is incorporated under The Corporations Act of Manitoba and is primarily engaged in acquiring real estate property in Manitoba.

(B) INVESTMENTS

Investments are stated at fair value on a trade date basis. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act.

Publicly traded investments are stated at year-end market prices as listed on the appropriate stock exchange, or as provided by the Fund's custodian from independent outside sources.

High yield debt, according to the characteristics of the specific debt instruments, is stated at market value based on bid prices, discounted cash flows or recorded at cost where no market value is available.

Mortgages are stated at fair value based on the present value of future cash flows.

Money market securities are stated at cost which approximates market.

Pooled equity funds are stated at values based on the quoted market price of the underlying investments.

Private investments, which consist of private equity, are stated at values determined by the external manager or are recorded at cost where no previous valuation has been prepared.

Real estate investments are stated at market values based on the most recently available external management valuations or appraisals of the underlying properties or are stated at cost where no previous valuation has been prepared.

(C) USE OF ESTIMATES

In preparing these financial statements, management must make estimates and assumptions that primarily affect the reported values of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(D) FOREIGN CURRENCY TRANSLATION

The market value of investments and cash balances denominated in foreign currencies are translated into Canadian dollars at the rates in effect at year end and the resulting change is included in the current period change in fair value of investments.

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Hedged foreign currency transactions are translated at rates of exchange established by the terms of the forward exchange contracts. The foreign exchange on revenue and expense transactions is included in investment income.

(E) FORWARD CONTRACTS

A forward contract is a contractual obligation to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate. Forward contracts are valued at the estimated amounts that the Fund would receive or pay to terminate the contracts at the reporting date, Note 6(c). Realized gains or losses on forward contracts are recognized with the current period change in fair value of investments.

(F) PROVISION FOR FUND'S SHARE OF EMPLOYEES' PENSION BENEFITS

Employees of the Fund are pensionable under The Civil Service Superannuation Act. The Fund accrues a liability for the employer share of the employees' pension benefits, including future cost of living adjustments, based on an actuarial report.

(G) COMPUTER AND OFFICE EQUIPMENT

Computer and office equipment acquisitions are capitalized and amortized on a straight line basis over five years.

3. INVESTMENTS AT FAIR VALUE

($ THOUSANDS)	2006	
Fixed Income		
Bonds and debentures	$ 771,688	$ 677,516
Mortgages	200,195	186,639
Money market securities	31,121	73,919
Equities		
Canadian	857,531	768,301
Non-North American	321,283	251,527
United States	327,066	263,396
Private	167,697	118,609
Real Estate	369,660	325,721
	$ 3,046,241	$ 2,665,628

4. CONTRIBUTIONS AND OTHER RECEIVABLES

($ THOUSANDS)	2006	
Account B	$ 10,896	$ 10,778
Teacher contributions	3,670	3,733
Other receivables	23	7
	$ 14,589	$ 14,518

5. COMPUTER AND OFFICE EQUIPMENT

($ THOUSANDS)	2006			
	COST	ACCUMULATED AMORTIZATION	NET	NET
Computer equipment	$ 601	$ 419	$ 182	$ 195
Office equipment	335	292	43	18
Computer and office equipment	$ 936	$ 711	$ 225	$ 213

6. RISK MANAGEMENT

The Fund follows a balanced fund asset mix strategy to earn the best possible investment return at an acceptable level of risk.

(A) INTEREST RATE RISK

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities.

To manage interest rate risk, the assets of the Fund are invested to ensure a prudent level of diversification by type of security, geographic location and by industry.

(B) CREDIT RISK

Credit risk arises from the potential for an investee to fail or for a counterparty to default on its contractual obligations to the Fund.

The Fund limits credit risk by dealing with counterparties that are considered to be of high quality, by obtaining collateral where appropriate, through investment diversification and by setting and monitoring compliance with portfolio guidelines.

(C) FOREIGN CURRENCY RISK

Foreign currency exposure results where investments are denominated in a foreign currency.

The Fund, through its investment managers, may employ hedging strategies to mitigate the foreign currency risk in the portfolio. At December 31, 2006 the Fund held $39,122,553 (2005 - $33,156,691) in forward contracts with an unrealized loss of $280,663 (2005 unrealized gain - $116,775).

7. MONEY PURCHASE ACCOUNTS

Separate Money Purchase Accounts have been established for persons transferring money to the Fund in accordance with the Act. These accounts are maintained separately from the Fund's other activities. The accounts earn the same rate of income as the total Fund. On the written direction of the individual, the accumulated amount of the individual's account is transferred out to a Locked In Retirement Account or into the Fund's Account A for initiation of a lifetime annuity.

		2006		2005
Balance at beginning of year	$	936	$	844
Transfers in		750		74
Investment income, Note 12		157		118
Transfers out		(532)		(100)
Balance at end of year	$	1,311	$	936

8. EMPLOYER TRUST ACCOUNTS

The Fund maintains separate trust accounts for the employer obligation for pension benefits in respect of MTS and MAST employees who are members of the Fund. The trust accounts receive the employer contributions and investment income and are charged with the employer share of pensions paid.

(A) THE MANITOBA TEACHERS' SOCIETY TRUST ACCOUNT

		2006		2005
Balance at beginning of year	$	5,479	$	4,987
Contributions		-		28
Investment income		819		763
Pension payments		(321)		(299)
Balance at end of year	$	5,977	$	5,479

(B) MANITOBA ASSOCIATION OF SCHOOL TRUSTEES TRUST ACCOUNT

		2006		2005
Balance at beginning of year	$	313	$	258
Contributions		-		51
Investment income		46		37
Pension payments		(33)		(33)
Balance at end of year	$	326	$	313

9. PROVINCE OF MANITOBA TRUST ACCOUNT

The Province of Manitoba ("the Province"), in accordance with The Balanced Budget, Debt Repayment and Taxpayer Accountability Act, established a fund for the purpose of accumulating funds for the eventual retirement of the Province's unfunded pension obligation.

Under terms of a September 13, 2001 (as amended June 24, 2004) agreement between the Province and the Board, the Province established a trust account with the Board and is making the required payments to the trust account. These monies are not Fund assets and are accounted for separately by the Fund in the Province of Manitoba Trust Account. According to the terms of the agreement, the Trust Account earns the rate of return of the Fund and the Board is paid a fee for its investment management services. Fees earned by the Board are deducted from investment management expenses, Note 12.

The payments made by the Province to the Board do not reduce the accrued pension benefit obligations of the Fund.

($ THOUSANDS)

			2006	
	NEW TEACHER ACCOUNT	GENERAL ACCOUNT	TOTAL	TOTAL
Balance at beginning of year	$ 32,553	$ 194,058	$ 226,611	$ 151,283
Deposits	10,154	39,477	49,631	48,420
Investment income, Note 12	6,048	33,905	39,953	27,304
Management fee	-	(533)	(533)	(396)
Balance at end of year	$ 48,755	$ 266,907	$ 315,662	$ 226,611

10. PROVISION FOR FUND'S SHARE OF EMPLOYEES' PENSION BENEFITS

($ THOUSANDS)

	2006	
Balance at beginning of year	$ 2,721	$ 2,257
Change in assumptions/experience	-	252
Adjusted balance at beginning of year	2,721	2,509
Benefits accrued	127	124
Interest accrued on benefits	190	175
Benefits paid	(139)	(87)
Balance at end of year	$ 2,899	$ 2,721

The valuation of the pension obligations as at December 31, 2004 was conducted by Ellement and Ellement Ltd., consulting actuaries. The key actuarial assumptions were a rate of return of 6.5% (2001 – 6.75%), a rate of inflation of 2.5% (2001 – 2.75%), general salary rate increases of 3.25% (2001 – 3.5%) and post-retirement indexing at two-thirds of the inflation rate. The accrued benefit cost method with salary projection was used. The pension obligation has been extrapolated to December 31, 2006 using a formula provided by the actuary.

11. CONTRIBUTIONS

	2006	2005
Teachers	$ 65,138	$ 57,904
Transfers from Account B		
Share of benefits charged	122,939	111,600
Other statutory charges	1,640	1,642
Transfers under reciprocal agreements	1,910	489
Transfers from MTS and MAST Trust Accounts	354	332
Transfers from Money Purchase Accounts	251	-
Total	$ 192,232	$ 171,967

12. INVESTMENT INCOME

	2006	2005
Fixed Income		
Bonds and debentures	$ 34,481	$ 31,709
Mortgages	12,389	10,835
Money market securities	2,007	2,057
Equities		
Canadian	15,191	13,658
Non-North American	8,042	6,108
United States	5,662	4,081
Private	4,490	2,579
Real Estate	14,863	13,496
Gross investment income	97,125	84,523
Less: Transfer to Money Purchase Accounts, Note 7	(157)	(118)
Transfer to Employer Trust Accounts, Note 8	(865)	(800)
Transfer to Province of Manitoba Trust Account, Note 9	(39,953)	(27,304)
Net investment management expenses	(4,411)	(3,768)
Net investment income	$ 51,739	$ 52,533

13. CURRENT PERIOD CHANGE IN FAIR VALUE OF INVESTMENTS

	2006	2005
Net realized gain on the sale of investments	$ 178,750	$ 135,549
Net unrealized market gain	129,885	129,820
Current period change in fair value of investments	$ 308,635	$ 265,369

14. RELATED PARTY TRANSACTIONS

(A) INVESTMENTS WITH THE PROVINCE OF MANITOBA

(In thousands)				2006 TOTAL		
Balance at beginning of year	$ 17,910	$ -	$	**17,910**	$	8,665
Purchases	9,787	147,632		**157,419**		149,209
Sales	(14,454)	(147,632)		**(162,086)**		(140,035)
Current period change in fair value	(390)	-		**(390)**		71
Balance at end of year	$ 12,853	$ -	$	**12,853**	$	17,910
Interest income	$ 800	$ 374	$	**1,174**	$	570

(B) INVESTMENT MANAGEMENT SERVICES

The Fund is a minority shareholder of Greystone Capital Management Inc., whose subsidiary Greystone Managed Investments Inc. provides investment management services to the Fund on a fee-for-service basis. The fees paid by the Fund to Greystone Managed Investments Inc. for the year were $4,264,318 (2005 - $3,906,837).

15. COMMITMENTS

As at December 31, 2006, the Fund had outstanding investment commitments totaling $311.0 million (2005 - $203.3 million). This includes capital commitments for certain private investments which will be called over the next three to five years.

16. GENERAL EXPENSES

(In thousands)		2006		
Salaries and benefits	$	2,550	$	2,760
Office and administration		549		513
Actuarial fees		225		164
Custodial and banking		303		288
Communication and travel		96		106
Professional fees		98		122
Board expenses		82		97
Portfolio oversight		16		1
Total	$	3,919	$	4,051

12 ACTUARIAL VALUATIONS

The Teachers' Pensions Act, subsection 45(4), requires an actuarial valuation of the Fund at least every three years. The most recent actuarial valuation of Account A and Account B (excluding the Pension Adjustment Account) was completed as at January 1, 2006 by Aon Consulting Inc., consulting actuaries. This is a funding valuation which projects the plan's future benefit costs and compares them to the Fund's assets plus future contributions. The previous valuation of Accounts A and B occurred as at January 1, 2004. The projected unit credit actuarial cost method was used for each valuation.

The assumptions used in determining the actuarial value of benefits accrued for service to date for Account A and Account B were developed by reference to expected long-term market conditions. The significant long-term actuarial assumptions used in the valuations were:

		JANUARY 1, 2006		JANUARY 1, 2004
Annual rate of return				
(a) Inflation component		2.50%		2.50%
(b) Real rate of return		3.75%		4.25%
		6.25%		6.75%
Annual salary escalation rates				
(a) General increases:				
(i) inflation component		2.50%		2.50%
	to 2011	thereafter	to 2011	thereafter
(ii) productivity component	0.50%	0.75%	0.50%	0.75%

(b) The rates used for seniority, merit and promotional increases are related to the number of years of service and range from 0.50% to 4.50%. These rates ranged from 0.50% to 5.75% in the 2004 valuation.

The actuarial valuation of Account A (excluding the Pension Adjustment Account) as at January 1, 2006 disclosed actuarial assets of $2,902,792,000 and actuarial liabilities of $2,915,653,000 leaving a deficit of $12,861,000 (2004 – $126,494,000). The actuarial assets include the present value of future service contributions and the actuarial liabilities include a liability for service expected to be rendered after the valuation date. The deficit means that Account A is not sufficiently funded to cover the cost of the promised future benefits. The change in the funded position is primarily a result of the investment return being greater than expected during the years 2004 and 2005 as well as the decrease in the valuation interest rate. The next complete valuation of the Fund will occur no later than January 1, 2009.

The actuarial present value of the Province's accrued pension benefits liability (Account B), excluding previously granted cost of living adjustments, was calculated at $2,147,992,000 for service to January 1, 2006 (2004 - $1,846,839,000).

The Pension Adjustment Account is actuarially valued each year to determine the amount available to fund one-half of any cost of living increase. The December 31, 2005 actuarial report, prepared by Aon Consulting Inc., disclosed a surplus of $8,719,000 (2004 - $5,000,000). Effective July 1, 2006, the Board approved the payment of a 0.64% pension adjustment.

The actuarial assumption used in the December 31, 2005 actuarial report for the rate of interest expected to be earned on the Pension Adjustment Account was 4.50% (2004 – 4.75%). The rate of interest used to determine the liability for the cost of living benefits of Account B was 6.25% (2004 – 6.75%).

18. ACCRUED PENSION BENEFITS

(A) BASIC BENEFITS

The present value of accrued pension benefits, for Accounts A and B (excluding pension adjustments which are shown in (b) below), for service to January 1, 2006, was determined from the actuarial valuation referred to in Note 17. The liability for service expected to be rendered after the valuation date is excluded. The present value of accrued pension benefits has been extrapolated from January 1, 2006 to December 31, 2006, using a formula developed by the actuary.

Note to reader: The following tables for accrued pension benefits are presented in millions of dollars

			2006 TOTAL	
Estimated actuarial present value of accrued pension benefits for service to beginning of year	$ 2,055	$ 2,024	$ 4,079	$ 3,899
Change in assumptions/experience	109	124	233	-
Adjusted beginning of year	2,164	2,148	4,312	3,899
Interest accrued on benefits	134	131	265	260
Benefits accrued	69	66	135	118
Benefits paid	(113)	(110)	(223)	(198)
Net increase in accrued pension benefits	90	87	177	180
Estimated actuarial present value of accrued pension benefits for service to end of year	$ 2,254	$ 2,235	$ 4,489	$ 4,079

The estimated actuarial present value of accrued pension benefits in Account A is the Fund's obligation, while Account B represents the Province's obligation. The Account B liability for basic benefits is unfunded.

(B) PENSION ADJUSTMENTS (COST OF LIVING)

The present value of accrued pension adjustments has been extrapolated from the actuarial report referred to in Note 17 to December 31, 2006, using a formula developed by the actuary.

			2006 TOTAL	
Estimated actuarial present value of accrued pension adjustments at beginning of year	$ 130	$ 115	$ 245	$ 242
Change in assumptions/experience	4	2	6	6
Adjusted beginning of year	134	117	251	248
Interest accrued	6	7	13	14
Pension adjustments accrued	9	7	16	11
Pension adjustments paid	(14)	(14)	(28)	(28)
Net change in accrued pension adjustments	1	0	1	(3)
Estimated actuarial present value of accrued pension adjustments at end of year	$ 135	$ 117	$ 252	$ 245

The estimated actuarial present value of accrued pension adjustments in Account A is the Fund's obligation, while Account B represents the Province's obligation. The Account B liability for accrued pension adjustments is unfunded.

19. COMPARATIVE FIGURES

Comparative figures have been reclassified, where necessary, to conform to the 2006 presentation.

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Mal Anderson, Chair
Pat Isaak, Vice Chair
Glen Anderson
Terry Clifford
Ray Desrochers
Henry Shyka
Lucy Vogrig

INVESTMENT COMMITTEE
Mal Anderson, Chair
Ewald Boschmann, Deputy Minister of Finance
Henry Shyka, Teacher Member
Glen Anderson, Teacher Observer

AUDIT COMMITTEE
Ray Desrochers, Chair
David Asselstine, External Member
Henry Shyka

MANAGEMENT
Jeff Norton, President & CEO
Les Brown, Vice-President, Information Services
Ross Hadaller, Acting Vice President, Finance
Brenda Venuto, Vice President, Benefits Administration & Member Services
Kristi Baily, Associate Vice President Communications

ACTUARY
Aon Consulting Inc.

AUDITOR
Office of the Auditor General of Manitoba

CUSTODIAN
CIBC Mellon Global Securities Services

PERFORMANCE MEASUREMENT
Towers Perrin

TRAF

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